

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 ABF-01 TRSE-00 L-02 AID-05 IGA-01 EB-07

OMB-01 CIAE-00 INR-07 NSAE-00 FRB-03 AGR-05 SSO-00

SS-15 SP-02 NSC-05 (ISO) W

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P 201236Z MAY 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 2776

C O N F I D E N T I A L COLOMBO 1630

E.O. 11652 GDS

TAGS: PFOR, EAID, CE, US

SUBJ: PROSPECTIVE MEETING WITH PRIME MINISTER: PL-480 RUPEES

REF: COLOMBO 1491 AND 1549

1. PRIME MINISTER BANDARANAIKE RETURNED FROM TRIP TO IRAP, JAMAICA (FOR COMMONWEALTH PRIME MINISTERS' CONFERENCE), GUYANA, AND UK THIS MORNING, MAY 20. WE HAVE CONSEQUENTLY RENEWED REQUEST FOR APPOINTMENT FOR AMBASSADOR WITH HER TO TAKE UP FINANCE MINISTER'S CHARGES OF U.S. MISUSE OF PL-480 RUPEES (COLOMBO 1464). HER CROWDED SCHEDULED MAY MEAN FEW DAYS' DELAY, BUT APPOINTMENT MAY COME AS EARLY AS FRIDAY, MAY 23.

2. AMBASSADOR WILL EXPLAIN TO HER ENTIRE PL-480 RUPEE QUESTION AND WILL ASK FOR CORRECTIVE ACTION ON PART OF GSL TO COUNTER FINANCE MINISTER'S BASELESS ACCUSATIONS OF AMERICAN INTERFERENCE IN SRI LANKA'S INTERNAL AFFAIRS. WHILE CONFLICTING POLITICAL PRESSURES ON PRIME MINISTER MAY LIMIT SCOPE OF SUCH REMEDIAL ACTION, AMBASSADOR PLANS REQUEST SOME KIND OF PUBLIC GSL STATEMENT THAT WILL AT LEAST HELP SET RECORD STRAIGHT.

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3. IN COURSE OF DISCUSSIONS, PRIME MINISTER IS VERY LIKELY TO RAISE JUNE 1966 EXCHANGE AND ARGUMENTAION OF COOREY MAY 14 LETTER (AN ISSUE ALREADY NOTED AS WHOLLY IRRELEVANT TO DR. PERERA'S FUNDAMENTAL CHARGE). AMBASSDOR WILL THEREFORE NEED GUIDANCE ON U.S. POSITION FOR RESPONSE.

4. WE HAVE FOUND IN OUR FILES DEPARTMENT'S A-87 OF MAY 14, 1966 INSTRUCTING EMBASSY TO DEPOSIT FUNDS IN SPECIAL ACCOUNT WITH TREASURY OF CEYLON AT 1-1/2 PERCENT INTEREST BUT NO OTHER DOCUMENTATION OF NEGOTIATING HISTORY THAT WOULD SUPPORT OR REFUTE COOREY'S INTERPRETATION THAT WE HAD AGREED NOT TO UTILIZE COMMERCIAL BANKS FOR HIGHER INTEREST ON EXCESS RUPEES FROM JUNE 1966 ONWARD. WE ASSUME EITHER THAT WASHINGTON DOES NOT AGREE WITH COOREY'S POSITION OR THAT IT WAS UNAWARE OF JUNE 1966 EXCHANGE WHEN DEPARTMENT INSTRUCTED EMBASSY IN MARCH 1975 TO TRANSFER FUNDS TO COMMERCIAL BANK (STATE 061088).

5. PLEASE SEND US U.S. POSITON ON FOREGOING BY OPENING OF BUSINESS COLOMBO TIME, FRIDAY, MAY 23.
VAN HOLLEN

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Margaret P. Grafeld
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